



HOME CAPITAL GROUP INC.

Second Quarter Report June 30, 2007

Financial Highlights

For the Period Ended June 30 (Unaudited)	Three Months Ended		Six Months Ended	
<i>In Thousands of Dollars (Except Per Share and Percentage Amounts)</i>	2007	2006	2007	2006
OPERATING RESULTS				
Net Income	\$ 22,018	\$ 16,496	\$ 43,176	\$ 30,679
Total Revenue ³	87,708	68,495	169,453	130,875
Earnings per Share - Basic	\$ 0.64	\$ 0.48	\$ 1.26	\$ 0.90
Earnings per Share - Diluted	0.63	0.47	1.24	0.88
Return on Shareholders' Equity	28.88%	27.59%	29.44%	26.36%
Return on Average Assets	2.08%	1.92%	2.10%	1.80%
Efficiency Ratio ³	27.88%	30.05%	27.59%	31.34%
Efficiency Ratio (TEB) ^{2,3}	27.20%	29.48%	26.94%	30.74%
(Non-interest Expense/Net Interest Income Plus Fee Income)				
BALANCE SHEET HIGHLIGHTS				
Total Assets			\$ 4,304,271	\$ 3,545,852
Loans			3,570,416	3,066,008
Deposits			3,808,159	3,127,079
Shareholders' Equity			309,841	246,589
Mortgage-Backed Security Assets Under Administration			1,237,239	959,704
FINANCIAL STRENGTH				
Capital Measures				
Risk Adjusted Assets ¹			\$ 2,296,651	\$ 1,847,822
Tier 1 Capital Ratio ¹			12.72%	12.67%
Total Capital Ratio			14.24%	14.35%
Credit Quality				
Net Impaired Loans % of Gross Loans			0.68%	0.54%
Allowance % of Gross Impaired Loans			85.62%	109.72%
Annualized Provision % of Gross Loans			0.08%	0.14%
Share Information				
Book Value per Common Share			\$ 8.98	\$ 7.22
Common Share Price - Close			36.90	32.60
Market Capitalization			1,273,111	1,113,518
Number of Common Shares Outstanding			34,502	34,157

¹ These figures relate to the Company's operating subsidiary, Home Trust Company.

² See definition of Taxable Equivalent Basis (TEB) on page 5 of this unaudited interim consolidated financial report.

³ Reclassification - refer to Note 2 of these unaudited interim consolidated financial statements.

Home Capital Group Inc. is a holding company, publicly traded on the Toronto Stock Exchange (HCG), operating through its principal subsidiary, Home Trust Company. Home Trust is a federally regulated trust company offering deposit, mortgage lending, retail credit and credit card issuing services. Licensed to conduct business across Canada, Home Trust has branch offices in Ontario, Alberta, British Columbia, Nova Scotia and Quebec.

**HOME CAPITAL GROUP INC.
TO OUR SHAREHOLDERS**

**Home Capital Delivers Strong Second Quarter Results
Earnings Per Share Rise by 33.3% Over 2006
Return on Equity is 28.9%**

Home Capital Group Inc. (TSX: HCG) today announced strong financial results for the second quarter and the first six months of 2007. Highlights of the quarter include strong growth in all business segments, including core residential mortgage lending, VISA operations and commercial mortgage lending, a significantly improved efficiency ratio, strong return on equity and assets, and continued vigilance with respect to asset quality.

Key results from the period included:

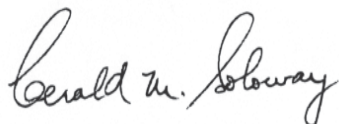
- Net income for the quarter was \$22.0 million, an increase of 33.5% over the \$16.5 million recorded in the same period last year, and 4.1% over \$21.2 million for the quarter ended March 31, 2007. Earnings for the first six months of 2007 reached \$43.2 million, a rise of 40.7% over the comparable period of 2006.
- Basic earnings per share were \$0.64, 33.3% above \$0.48 for the second quarter of 2006, and \$1.26 for the six-month period, 40.0% higher than the \$0.90 recorded last year. Diluted earnings per share were \$0.63, a rise of 34.0% from the \$0.47 recorded for the second quarter of 2006; results for the six months were \$1.24, 40.9% above the same period last year.
- Return on equity was 28.9% for the second quarter compared to 27.6% for the quarter ended June 30, 2006 and 29.4% for the first six months of 2007, versus 26.4% for the first half of last year.
- Total assets at June 30, 2007 reached \$4.30 billion, 21.4% higher than the \$3.55 billion reported one year earlier. Total assets, together with Mortgage-Backed Securities (MBS) originated and administered by the Company, grew to \$5.54 billion, a rise of 23.0% from \$4.51 billion at June 2006.
- Total mortgage originations were \$622.6 million during the second quarter, an increase of 23.4% from the \$504.6 million advanced during the comparable period of 2006. Residential mortgage lending growth remained strong with originations of \$575.3 million, a 14.0% increase over the \$504.6 million reported in the second quarter of last year.
- Outstanding balances on the Equityline VISA portfolio reached \$272.0 million, a rise of 85.5% from the \$146.6 million recorded at the same time in 2006. During the six-month period, 2,628 credit card accounts with \$114.5 million in authorized credit limits were issued, compared to 2,109 cards and \$89.0 million of credit for the six months ended June 2006, representing increases of 24.6% and 28.7%, respectively.
- The efficiency ratio (TEB) was 27.2% for the second quarter, compared to 29.5% during the same period one year earlier. The ratio was 26.9% for the first six months of 2007, versus 30.7% for the comparable period last year.
- Net impaired loans represented 0.68% of the total loans portfolio, up from 0.54% at the end of the second quarter of 2006, and down from 0.74% at March 2007. Losses resulting from loan write-offs during the period remained negligible. Non-performing loans continue to be professionally managed on a loan-by-loan basis by the Company.

During the first half of 2007, Home Capital undertook two important initiatives to support the long-term growth and development of the Company. First, the Company launched its commercial mortgage lending business at the beginning of 2007, which has grown at a steady pace since inception. \$106.2 million of commercial loans have been advanced in the first six months of 2007 and management expects this division will continue to grow through the balance of the year to become an important profit centre for the Company in 2008 and beyond.

The second major development is the strategic addition of key personnel in several business areas. With an eye to the future, Home Capital's senior management team recently added several new members to accommodate planned business growth. Since the start of 2007, the Company has strengthened its senior team with the additions of John Harry, Senior Vice President, Commercial Mortgage Lending, Phil Braginetz, Chief Financial Officer, and Jason Donville, Chief Investment Officer. The Company has also made other significant management appointments in recent years, specifically in the areas of mortgages, credit, information technology, finance, credit card services, human resources, marketing, regulatory compliance, and corporate and legal affairs. These seasoned executives bring a wealth of experience to an already robust senior team and, together, they are leading Home Capital through its continuing evolution as an innovative, competitive and profitable organization.

Subsequent to the end of the quarter, the Board of Directors declared a dividend increase of 10.0% to \$0.11 per share on a quarterly basis, payable on September 1, 2007 to shareholders of record at the close of business on August 15, 2007. This increase reflects Home Capital's continued strong performance and earnings growth.

Canada's residential property sector remains underpinned by solid fundamentals, unlike the challenging conditions now prevailing in the mortgage marketplace in the United States. Home Capital remains ideally positioned for future growth within the residential lending marketplace. Management continues to administer its core lending business with a balanced sense of both prudence and opportunity. At the same time, recent initiatives in the credit card, commercial lending and asset management areas suggest unequivocally that our focus remains on continuing our track record of superior growth. As a result, the Board of Directors and management remain confident about our ability to meet or exceed all of our stated targets for 2007.



GERALD M. SOLOWAY
President and Chief Executive Officer
August 7, 2007



WILLIAM A. DIMMA
Chairman of the Board

Management's Discussion and Analysis

Caution Regarding Forward-Looking Statements

From time to time Home Capital Group Inc. (the "Company" or "Home Capital") makes written and verbal forward-looking statements. These are included in the Annual Report, periodic reports to shareholders, regulatory filings, press releases, Company presentations and other Company communications. Forward-looking statements include, but are not limited to, business objectives and targets, Company strategies, operations, anticipated financial results and the outlook for the Company, its industry, and the Canadian economy. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "estimate," "plan," "may," and "could" or other similar expressions. By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, global capital market activity, changes in government monetary and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf.

Taxable Equivalent Basis (TEB)

Most banks and trust companies analyze revenue on a TEB to provide uniform measurement and comparison of net interest income. Net interest income (as presented in the consolidated statements of income) includes tax-exempt income from certain securities. The adjustment to TEB increases income and the provision for income taxes to what they would have been had the tax-exempt securities been taxed at the statutory tax rate. The TEB adjustments of \$1.2 million for the second quarter and \$2.2 million for the first six months of 2007 (\$0.7 million - Q2 2006 and \$1.4 million - six months 2006) increase interest income. TEB does not have a standard meaning prescribed by Canadian generally accepted accounting principles (GAAP) and therefore may not be comparable to similar measures used by other companies. Net interest income and income taxes are discussed on a TEB basis throughout this Management's Discussion and Analysis (refer to Financial Highlights).

Regulatory Filings

The Company's continuous disclosure materials, including interim filings, annual management's discussion and analysis and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Company's web site at www.homecapital.com, and on the Canadian Securities Administrators' website at www.sedar.com.

Management's Discussion and Analysis of Operating Performance

This management's discussion and analysis (MD & A) should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30, 2007 included herein and the audited consolidated financial statements and MD & A for the year ended December 31, 2006. These are available on SEDAR at www.sedar.com and on pages 8 through 52 of the Company's 2006 Annual Report. Except as discussed in these unaudited interim consolidated financial statements and MD & A, all other factors discussed and referred to in the MD & A for fiscal 2006 remain substantially unchanged. These unaudited interim consolidated financial statements and MD & A have been prepared based on information available as at August 3, 2007. As in prior quarters, the Company's Audit and Risk Management Committee reviewed this document, and prior to its release the Company's Board of Directors approved it on the Audit and Risk Management Committee's recommendation.

2007 Performance and 2007 Objectives

Home Capital published its financial objectives for 2007 in the Company's 2006 Annual Report, found on page 10. The following table compares actual performance to date against these objectives.

		Six Month Period Ended June 30, 2007
	2007 Objectives	Actual Results ¹
Net Income	20% over 2006 or \$36.8 million	\$43.2 million, or 40.7% increase over same period last year
Diluted Earnings per Share	20% over 2006 or \$1.06 per share	\$1.24 per share, or 40.9% increase over same period last year
Combined Total Assets and Assets Under Administration	20% over 2006 or \$5.41 billion	\$5.54 billion, or 23.0% increase over last year
Return on Equity	25%	29.4%
Efficiency Ratio (TEB) ²	35.0% to 39.0%	26.9%
Capital Ratio - Tier 1	Minimum of 9.5%	12.7%
Capital Ratio - Total	Minimum of 12.0%	14.2%
Provision for Loan Losses as a Percentage of Total Loans	0.1% to 0.2%	0.1%

¹ Objectives and results for net income and diluted earnings per share are for the current period relative to the same period in the prior year; asset growth is the change from twelve months prior; and ratios are based on the current period, annualized.

² Reclassification, refer to Note 2 of these unaudited interim consolidated financial statements.

FINANCIAL HIGHLIGHTS

Income Statement Highlights

The Company achieved another period of strong results building on the momentum of the first quarter. The Company experienced positive growth in all of its operating segments.

- Net income rose 33.5% over the comparable quarter in 2006.
- Net interest income was up 28.9% over the same period in 2006 as the Company's income-producing assets grew by 21.9%.
- Non-interest income was up 21.8% over the second quarter of 2006, driven by growth in fee income from increased mortgage and Equityline VISA originations.
- The efficiency ratio (TEB) improved to 27.2% from 29.5% in the second quarter of 2006 through management's continuing efforts to control fixed costs.
- Diluted earnings per share for the quarter increased 34.0% to \$0.63 compared to \$0.47 for the second quarter of 2006.
- Return on average shareholders' equity for the quarter was 28.9%, an improvement over the 27.6% achieved in the second quarter of 2006.

Balance Sheet Highlights

- Total assets at June 30, 2007 grew by 10.3% over the six-month period to reach \$4.30 billion, compared to the \$3.90 billion reported at December 31, 2006. This asset growth was principally driven by the Company's residential mortgage portfolio which grew by \$140.2 million; other mortgages (primarily commercial mortgages) grew by \$59.5 million and cash resources rose by \$99.5 million.
- The Equityline VISA portfolio sustained its strong momentum, achieving growth of 26.0% over the fourth quarter of 2006 and 85.5% over the second quarter of 2006.
- Deposit liabilities as at June 30, 2007 grew 10.6% to reach \$3.81 billion, as compared to \$3.44 billion as at December 31, 2006. These proceeds were utilized to fund the growth of the Company's loan portfolio with excess funds invested in the Company's cash and securities portfolio.

Earnings Review

Net Interest Income

Net interest income was \$36.5 million in the second quarter and \$69.9 million for the first six months of 2007 representing increases of \$8.2 million, or 28.9%, over the \$28.3 million reported in the second quarter of 2006, and \$14.8 million, or 26.8%, over the \$55.1 million recorded during the same six-month period of 2006. These increases were the result of improved net interest margins as the growth in interest-bearing assets exceeded the growth in interest-bearing liabilities. The growth in interest earning assets was \$756.5 million over June 2006, compared to an increase in interest-bearing liabilities of \$676.1 million. The net interest margin (TEB) for the second quarter was 3.6%, and 3.5% for the six-month period ended June 30, 2007, both improved over the comparable periods of 2006 of 3.4% for the comparable quarter and 3.3% for the six-month period ended June 30, 2006. The interest spread between loans and borrowings for the quarter was 3.7% and 3.6% for the six-month period ended June 30, 2007, compared to 3.4% for both comparable periods in 2006.

The mortgage lending line of business continues to be the primary driver of the Company's net interest income. It contributed \$25.0 million in the second quarter of 2007 and \$47.9 million for the six months ended June 30, 2007, compared to \$21.1 million during the second quarter of 2006, and \$41.4 million for the first six months of 2006.

The consumer lending line of business contributed second quarter net interest income of \$5.3 million and \$10.0 million for the six-month period, compared to \$3.4 million and \$6.4 million for the quarter and six months ended June 30, 2006, respectively. The Equityline VISA product continues to drive income growth in the consumer lending line of business, with receivable balance increases of 26.0% over the fourth quarter of 2006, and 85.5% over the second quarter of last year.

Refer to Note 11 of the accompanying unaudited interim consolidated financial statements, which summarizes the Company's interest rate risk position as at June 30, 2007. This table illustrates that after one year the Company had a deficient cumulative dollar gap of \$304.7 million (liabilities and off-balance sheet items exceeding total assets) compared to deficiencies of \$441.4 million at December 31, 2006 and \$587.9 million at June 30, 2006. The deficiency in the cumulative gap reverts to a surplus in one to three years for both the current period and at December 31, 2006, while the deficiency in the cumulative gap at June 30, 2006 reverts to a surplus after three years. The reduced gap balance in the one-year timeframe in comparison to December 31, 2006 and June 30, 2006 was due to the Company's focus on extending maturities on the deposit portfolio to better match the maturity duration of the mortgage portfolio.

Non-Interest Income

Total non-interest income was \$11.5 million for the second quarter and \$21.5 million for the first six months of 2007, an increase of \$2.1 million and \$5.5 million from the \$9.4 million and \$16.0 million reported for the three- and six-month periods ended June 30, 2006. The increases over the prior periods were driven by fee income generated from the increase in originations in the loan and Equityline VISA portfolios.

The fees and other income components of non-interest income ended the quarter at \$5.1 million and \$9.7 million for the first six months of 2007, compared to \$2.5 million and \$4.8 million for the comparable periods in 2006. The mortgage lending line of business contributed \$3.0 million of this income in the quarter and \$5.4 million for the first six months, compared to \$0.5 million and \$1.1 million for the second quarter and first six months of 2006. The consumer lending line of business contributed \$2.1 million of fee income during the quarter and \$4.1 million for the first six months of 2007, compared to \$1.9 million and \$3.6 million for the comparable quarter and six-month period of 2006. With the implementation of new financial instrument standards, the Company reclassified the amortization of deferred commitment fees in 2006 from fees and other income to interest from loans. Please refer to Note 2 of these unaudited interim consolidated financial statements.

During the second quarter, the Company issued four MBS pools, consisting of \$150.7 million of Canada Mortgage and Housing Corporation (CMHC) insured residential mortgages for a total issuance of MBS pools in 2007 to date of \$285.0 million. This represents an increase of \$10.0 million over the \$140.7 million in MBS pools that were issued in the second quarter of 2006 and a \$22.6 million increase over the \$262.4 million issued during the first six months of 2006. Securitization gains were \$3.9 million during the quarter and \$8.7 million for the six-month period ended June 30, 2007, down from \$4.0 million realized in the second quarter and up from the \$6.9 million gain realized during the first six months of 2006 (refer to Note 4 of these unaudited interim consolidated financial statements). The decrease in securitization gains during the quarter, in comparison to the second quarter of 2006, was primarily due to an increase in the unscheduled prepayment rate from 12.6% in the second quarter of 2006 to 13.3% in the second quarter of 2007, as the spreads achieved on the sales were consistent at 2.4% for both 2007 and 2006. For the six-month period, the gains were higher in 2007 in comparison to 2006, as the excess spread achieved in the six-month period ended June 30, 2007 over June 30, 2006 more than offset the increased unscheduled prepayment rate utilized during the six-month period ended June 30, 2007.

Non-Interest Expenses

Total non-interest expenses for the quarter and six-month period were \$13.4 million and \$25.2 million, up 18.0%, or \$2.1 million from the \$11.3 million recorded for the second quarter of 2006 and up by 13.2%, or \$2.9 million over the \$22.3 million reported for the first six months of 2006. The primary driver of the increase in non-interest expenses over the previous year's period was increased staffing levels and professional fees incurred as the result of the Company's initiatives to meet future growth of the Company and changing regulatory requirements. Salaries and staff benefit expenses for the second quarter increased by \$0.5 million, or 6.9%, over the second quarter of 2006 and by \$1.7 million, or 13.2%, over the first six months of 2006. The Company ended the quarter with 359 employees, up from the first quarter of 2007 and up from 352 employed at the end of June 2006. The June 2007 total includes 25 temporary summer staff (21 temporary summer staff for June 2006) to assist the Company during higher employee vacation periods. Premises expenses increased from the prior period as the Company entered into a new lease in May 2007 for the opening of the Montreal branch.

General and administration expenses increased by \$1.4 million over the second quarter of 2006 and \$1.0 million over the first six months of 2006. The increase in general and administration expenses from the second quarter and six-month period ended June 30, 2006 is primarily due to increased professional fees related to a number of initiatives to provision for future growth opportunities for the Company and certain regulatory requirements. The overall increase in general and administration expenses from the fourth quarter of 2006 is largely due to outsourcing and consulting expenses.

The efficiency ratio (TEB) ended the quarter at 27.2% and 26.9% for the first six months of 2007, compared to 29.5% and 30.7% for the comparable periods in 2006. Management's focus on cost containment has been reflected in the favourable efficiency ratio (TEB) achieved in the current and first six months of 2007 and represents a significant improvement over the second quarter and six months of 2006. On January 1, 2007, the Company implemented new accounting standards on financial instruments. With the implementation of the new standards, the Company reclassified the amortization of Deferred Finders Fees and Deferred Agent Commission from General and Administration to Interest from Loans and Interest on Deposits. This had the effect of improving the efficiency ratio from past historic levels and beyond the Company's target range of between 35% to 39%. Please refer to Note 2 of these unaudited interim consolidated financial statements.

Provision for Credit Losses

The Company expensed \$1.0 million in the second quarter and \$1.5 million year-to-date, compared to \$1.3 million and \$2.1 million last year, through the provision for credit losses. This expense represents 0.1% of total loans on an annualized basis. The Company continues to add to the general allowance for credit losses, primarily in response to the growth in risk-weighted assets and in particular the growth in the loan portfolio. The total general allowance amounted to \$20.7 million at the end of the quarter, an increase of \$1.1 million over the \$19.6 million recorded at December 31, 2006, and a \$2.4 million rise over the \$18.3 million allowance recorded at June 30, 2006.

At June 30, 2007 net impaired loans amounted to \$24.3 million (0.68% of gross loans), compared to \$22.8 million (0.68% of gross loans) at December 31, 2006 and \$16.7 million (0.54% of gross loans) at June 30, 2006. The slight rise in net impaired loans relative to last year at this time, has not resulted in increased loan write-offs (refer to Note 3 of these unaudited interim consolidated financial statements). Total net loans written-off during the six months ended June 30, 2007 were \$0.6 million, consistent with the six months ended December 2006 and up slightly from the six months ended June 2006. The Company continues to closely monitor non-performing loans and has taken proactive steps to manage losses, as described under the Credit Risk section of this MD & A.

Income Taxes

The income tax expense amounted to \$11.6 million (effective tax rate of 34.5%) for the second quarter of 2007, and \$21.5 million (effective tax rate of 33.3%) for the first six months of 2007, compared to \$8.6 million (effective tax rate of 34.3%) for the second quarter of 2006 and \$16.0 million (effective tax rate of 34.3%) for the first six months of 2006. Canadian dividend income is non-taxable to financial institutions, which results in a reduced income tax rate. In the absence of tax-free dividends, the tax rates would have been 36.6% for the second quarter and 35.3% for the first six months of 2007, compared to 36.3% for both the second quarter and first six months of 2006.

Balance Sheet Review

Assets

Total assets as at June 30, 2007 were \$4.30 billion, an increase of \$758.4 million, or 21.4%, over the \$3.55 billion reported one year ago, and up by \$402.0 million, or 10.3%, over the December 31, 2006 asset balance of \$3.90 billion.

Growth in the loan portfolio of \$504.4 million, or 16.5%, generated most of this year-over-year asset increase. Residential mortgages contributed \$258.7 million to the total loan portfolio growth, consumer lending contributed \$123.5 million, other mortgages (primarily commercial mortgages) contributed \$102.5 million, secured loans added \$22.1 million, and the general allowance increased by \$2.4 million. MBS receivables added \$2.0 million to total assets. The Company's investment securities portfolio increased by \$104.3 million over June 30, 2006, and cash resources increased significantly by \$147.8 million year-over-year resulting from funds raised through deposits and internally-generated earnings. Other assets declined marginally by \$0.7 million from the comparable quarter in the prior year due to the implementation of new financial instrument standards that came into effect January 1, 2007 (refer to Note 2 of these unaudited interim consolidated financial statements). Deferred finders fees and deferred agent commissions were reclassified and included in the cost base of the respective loans and deposits. Remaining balances in Other Assets, consisting of accrued interest receivable, goodwill, other prepaid and other deferred assets (refer to Note 5 of these unaudited interim consolidated financial statements) were relatively consistent year-over-year.

Growth in the loans portfolio of \$261.2 million, or 7.9%, was the principal contributor to asset growth over December 31, 2006. The loan portfolio growth arose from a \$140.2 million increase in residential mortgages, \$59.5 million rise in other mortgages (primarily commercial), \$54.5 million increase in personal and credit card loans and an \$8.0 million increase in secured loans. The Company's securities portfolio increased by \$46.0 million, or 13.4%, over December 31, 2006 and cash resources increased \$99.5 million, or 69.3%, primarily due to funds raised through deposits and internally generated earnings. As announced in the fourth quarter of 2006 the Company commenced commercial lending by entering into lending arrangements secured by pools of commercial mortgages. During the six months, the commercial mortgage group advanced loans for \$106.2 million, and \$36.7 million of residential mortgages. Total other assets decreased by \$3.3 million primarily due to a reclassification of deferred finders fees and deferred agent commissions into the respective mortgage and deposit cost base. This was implemented effective January 1, 2007 as required under new financial instrument accounting standards (refer to Note 2 of these unaudited interim consolidated financial statements). Other balances within Other Assets, which include Mortgage-Backed Securities receivable, increased consistent with securitization activity during the quarter.

Liabilities

Liabilities for the second quarter ended June 30, 2007 rose to \$3.99 billion, an increase of \$695.2 million, or 21.1%, over the \$3.30 billion reported at June 30, 2006 and up by \$369.0 million, or 10.2%, over the \$3.63 billion recorded at December 31, 2006.

Most of the year-over-year growth resulted from an increase in deposits of \$676.1 million. Increased deposit liabilities funded all of the loan portfolio growth along with adding to the Company's investment securities and cash resources. Higher retained earnings and other liabilities contributed to the Company's remaining securities and other assets. Other liabilities (refer to Note 6 of these unaudited interim consolidated financial statements) increased by \$17.1 million, or 10.5%, over the \$163.2 million reported at June 30, 2006. This growth was principally the result of increases in accrued interest payable of \$13.9 million related to the rise in deposits and a \$12.7 million increase in other liabilities due to the timing of operating expenditures. The growth was offset by a decline in deferred commitment fees which are now classified with the respective mortgage loan. This was required as a result of the new financial instrument standards that came into effect on January 1, 2007 (refer to Note 2 to these unaudited interim consolidated financial statements).

The rise in liabilities over December 31, 2006 resulted primarily from increased deposits of \$364.5 million. Increased deposit liabilities were the primary funding source for the loan portfolio growth for the first six months of 2007 as well as adding to the Company's investment securities and cash resources. The increase in Other Liabilities (refer to Note 6 of these unaudited interim consolidated financial statements) compared to the December 2006 quarter was driven by similar factors discussed above and offset by the reclassification of the deferred commitment fees as discussed in Note 2 of these unaudited interim consolidated financial statements.

Shareholders' Equity

The increase in shareholders' equity of \$63.3 million, or 25.7%, over the \$246.6 million reported at June 30, 2006 was internally generated from net income of \$80.3 million for the twelve-month period ended June 30, 2007, together with adjustments from the adoption of new financial instrument accounting standards of \$5.6 million, less \$13.4 million for dividends paid and payable to shareholders. The remaining increase was from proceeds of \$2.9 million received on the exercise of Company share options and the amortization of the fair value of share options of \$0.7 million, offset by \$1.6 million paid by the Company to repurchase capital stock through the Normal Course Issuer Bid.

Shareholders' equity rose to \$309.8 million, an increase of \$33.0 million, or 11.9%, over \$276.9 million reported at December 31, 2006. This growth of \$33.0 million was internally generated from net income for the six months of \$43.2 million, adjustments from the adoption of new financial instrument accounting standards of \$5.6 million, less \$6.9 million for shareholder dividends. The remaining changes were from proceeds received on the exercise of Company share options and recording the fair market adjustment on stock options, offset by the Company's repurchase of capital stock through the Normal Course Issuer Bid.

At June 30, 2007 the book value per common share was \$8.98, compared to \$8.10 at December 31, 2006, and \$7.22 one year ago.

Off-Balance Sheet Arrangements

From time to time, the Company may enter into hedging transactions to mitigate the interest exposure on outstanding loan commitments. During the quarter ended June 30, 2007 the Company did not enter into new interest rate swap contracts. During the quarter ended June 30, 2006 the Company entered into interest rate swap contracts with a notional value of \$200.0 million resulting in a mark-to-market positive income statement adjustment of \$0.9 million. During the second quarter of 2006, the Company unwound \$75.0 million of these interest rate swap contracts realizing a \$0.2 million gain. For additional information refer to Note 10 of these accompanying unaudited interim consolidated financial statements.

The Company securitizes insured residential mortgage loans into special purpose entities for liquidity funding and capital management purposes. Transactions consist of the transfer of these loans to a Canadian trust company as security, in exchange for cash. When these assets are sold, the Company retains rights to certain excess interest spreads and servicing liabilities, which constitute retained interests. The Company periodically reviews the value of the retained interests, and any permanent impairment in value is charged to income. The Company continues to administer all securitized assets after the sales. As of June 30, 2007 outstanding securitized mortgage loans under administration amounted to \$1.24 billion (\$1.11 billion - Q4 2006 and \$959.7 million - Q2 2006) and retained interest of \$49.3 million (\$51.0 million - Q4 2006 and \$47.3 million - Q2 2006). For additional information, refer to Note 4 in the consolidated financial statements of the 2006 Annual Report, and Note 4 of these accompanying unaudited interim consolidated financial statements.

In the normal course of its business, the Company offers credit products to meet the financial needs of its customers. Outstanding commitments for future advances on mortgage loans amounted to \$234.2 million at June 30, 2007 compared to \$201.8 million at December 31, 2006 and \$242.6 million at June 30, 2006. These commitments remain open for various dates through July 2008. As of June 30, 2007 unutilized credit card balances amounted to \$72.4 million, compared to \$66.8 million at December 31, 2006 and \$48.8 million at June 30, 2006.

Capital Management

The capital base of the Company's operating subsidiary, Home Trust Company ("Home Trust"), continues to be strongly positioned. The Tier 1 capital ratio ended the quarter at 12.7%, consistent with both the second and fourth quarter of 2006. The total capital ratio was 14.2% at June 30, 2007 compared to 14.2% and 14.4% reported at December 31 and June 30, 2006. These ratios continue to comfortably exceed the minimum regulatory requirements of 7.0% for Tier 1 capital and 10.0% for total capital.

As at June 30, 2007, Home Trust was utilizing 75.5% of its approved Assets to Regulatory Capital Multiple of 17.5 times (76.1% Q4 - 2006 and 76.3% Q2 - 2006), providing sufficient capital for continued lending growth going forward.

Risk Management

The Company's key risk management practices remain in place and unchanged from those outlined on pages 22 through 27 in the MD & A section of the Company's 2006 Annual Report.

Credit Risk

Credit risk management is the management of all aspects of borrower risk associated with the total loan portfolio, including the risk of loss of principal and/or interest from the failure of debtors to honour their contractual obligations to the Company.

As at June 30, 2007 the composition of the total mortgage portfolio was 93.9% residential, 3.6% store and apartments, 2.0% commercial and 0.5% other non-residential loans. Within the Company's residential mortgage portfolio, 5.1% of loans are insured by CMHC. First mortgages represent 99.5% of the total mortgage portfolio.

As at June 30, 2007 the gross credit card receivable balance totaled \$284.1 million, comprised of \$282.9 million, or 99.6% of accounts secured either by cash deposits or residential mortgage collateral, and \$1.2 million, or 0.4% which is unsecured. The total credit approved includes \$354.9 million in secured and \$1.6 million in unsecured credit, compared to \$294.2 million in secured and \$2.4 million of unsecured credit at December 31, 2006 and \$207.0 million in secured and \$2.8 million of unsecured credit at June 30, 2006. Within the secured credit card portfolio the Equityline VISA credit cards represent the principal driver of receivable balance growth. Equityline VISA credit cards are secured by a collateral residential mortgage, and this portfolio segment amounted to \$272.0 million of the credit card receivable balance as at June 30, 2007, compared to \$215.9 million at December 31, 2006 and \$146.6 million at June 30, 2006. Cash security deposits on credit card accounts amounted to \$18.8 million, and are included in the Company's deposits. The Company has experienced minimal losses on the credit card portfolio. At June 30, 2007, \$2.3 million, or 0.8%, of the credit card portfolio was over 60 days in arrears.

The secured loan portfolio of \$78.3 million increased by \$8.0 million over the December 31, 2006 balance of \$70.3 million, and \$22.1 million over the June 30, 2006 balance of \$56.2 million. These loans are secured by second mortgages on residential property. Since commencing this program, the Company has experienced minimal losses on these loans. At June 30, 2007, \$0.6 million, or 0.7% was over 60 days in arrears. These loans are subject to the same credit and lending criteria as the Company's residential mortgage portfolio.

Although the Company has experienced a small increase in net impaired loans to \$24.3 million at June 30, 2007 compared with \$22.8 million at December 31, 2006 and \$16.7 million at June 30, 2006, the Company has not experienced any material rise in net loan write-offs.

Additionally, net impaired loans as a percentage of gross loans has improved from the first quarter of 2007 ending the second quarter at 0.68%, down from 0.74% for the first quarter. The Company continues to focus its underwriting efforts, taking account of local market conditions in order to minimize the Company's potential loss exposure. Experienced senior employees of the Company undertake thorough reviews of all non-performing loans greater than 60 days to analyze potential drivers and then reflect those drivers in the Company's lending criteria. This analytical approach and constant attention to emerging trends has resulted in continued low write-offs. Write-offs net of recoveries applied against the accumulated allowance for credit losses realized on loans during the six-month period ended June 30, 2006 totaled \$0.6 million which is consistent with the six-month period ended December 31, 2006 and up slightly from the six-month period ended June 30, 2006. The Company continues to monitor this area closely and is dealing prudently and effectively with impaired loans.

The Company has ensured that it is well positioned for any unforeseen future losses by establishing general allowances of \$20.7 million at June 30, 2007, as compared to the general allowances of \$19.6 million at December 31, 2006, and \$18.3 million at June 30, 2006. The Company continues to monitor the adequacy of the general allowance. The Company's actual loss experience on mortgages has amounted to 0.03% per annum over the past 15 years, 0.01% for the past 10 years, and 0.001% for the past 5 years. The Company has security in the form of real property or cash deposits on loans making up 99.8% of the total loan portfolio. A methodology has been implemented by the Company to test the adequacy of the general allowance that takes into account asset quality, borrowers' creditworthiness, property location and past loss experience. The Company periodically reviews this general allowance methodology giving due consideration to changes in economic conditions, interest rates and local housing market conditions.

The total general allowance was 90.1 basis points of the Company's risk-weighted assets at June 30, 2007 compared to 95.1 basis points at December 31, 2006 and 99.1 basis points at June 30, 2006.

Liquidity Risk

The Company maintains sufficient liquidity to fund its obligations as they come due under normal operating conditions, as well as under various stress scenarios, with a framework for minimum levels of liquid assets to be held at all times. The Company holds liquid assets in the form of cash, bank deposits, treasury bills, bankers acceptances and government or government guaranteed bonds and debentures to meet the Company's liquidity requirements. On June 30, 2007 liquid assets amounted to \$438.6 million, up 29.4% from \$339.0 million at December 31, 2006 and up 65.4% from \$265.2 million at June 30, 2006.

The Company's policy is to maintain a minimum 20% of 100-day obligations in liquid assets. For the twelve months ended June 30, 2007 the Company maintained an average of \$340.0 million, or 40.9%, of 100-day obligations in liquid assets compared to \$288.0 million, or 41.3%, for the twelve months ended December 31, 2006 and \$242.4 million, or 42.4%, for the twelve-month period ended June 30, 2006.

Interest Rate Risk

The objective of interest rate risk management is to ensure that the Company is able to realize stable and predictable earnings over specific time periods despite interest rate fluctuations. The Company has adopted a balanced approach to the management of its asset and liability positions to prevent interest rate fluctuations from materially impacting future earnings. The interest rate sensitivity position as at June 30, 2007 is presented under Note 11 in these unaudited interim consolidated financial statements. The table provided there represents these positions at a point in time, and the gap represents the difference between assets and liabilities in each maturity category.

In addition to matching assets and liabilities, the Company utilizes an interest rate risk sensitivity model that measures the relationship between changes in interest rates, and the resulting impact on the economic value of shareholders' equity. As at June 30, 2007 a 1% decrease in interest rates would decrease net interest income after tax by approximately \$1.5 million, and a 2% rate decrease would also decrease net interest income after tax by approximately \$3.0 million, over the next 12 months.

The Company has the ability to enter into interest rate swap arrangements for the purpose of hedging commitment risk. The purpose is to manage interest rate exposures during the time frame between when a mortgage commitment is made and when this mortgage loan is securitized into an MBS pool. The Company had no open interest rate swap arrangements as at June 30, 2007. Refer to Note 10 of these unaudited interim consolidated financial statements for additional information.

Results by Business Segment

The following section discusses the mortgage and consumer lending lines of business for the second quarter and first six months of 2007 compared to both the second quarter and first six-month period of 2006 (refer to Note 12 of the accompanying unaudited interim consolidated financial statements).

Mortgage Lending

The Company's principal line of business contributed \$15.3 million to net income during the second quarter of 2007, and \$30.2 million for the first six months of 2007, as compared to \$12.3 million and \$22.5 million for the same periods ended June 30, 2006. The increase from the prior quarter was partially driven by new fee increases instituted in late 2006 that were not reflected in the 2006 balance along with increases in transaction based fees as the Company's mortgage volumes continue to grow. The total value of new mortgages advanced in the second quarter and first six months of 2007 amounted to \$622.6 million and \$1.17 billion, up 23.4% and 25.5% over the \$504.6 million advanced in the second quarter and \$931.3 million advanced for the six-month period ended June 30, 2006.

The Company securitized \$150.7 million of government guaranteed (CMHC) residential mortgage loans through the creation of MBS securities during the second quarter, and a total of \$285.0 million for the first six months of 2007, realizing total gains on securitization of \$3.9

million during the quarter and \$8.7 million year-to-date. This compares to \$140.7 million for the second quarter of 2006 and \$262.4 million for the first six months of 2006, resulting in gains of \$4.0 million and \$6.9 million, respectively. For additional information refer to Note 4 of these unaudited interim consolidated financial statements. Securitization will continue to contribute to the Company's income; however, core mortgage lending is expected to remain the main driver of the Company's financial results going forward.

The second mortgage program (recorded as secured loans) is conducted by way of an agreement with QSPE-HCC Trust operating as Regency Finance Corp. ("Regency"), whereby the Company acts as Regency's agent in offering residential second mortgage loans. These mortgage loans are securitized and the investments are purchased by the Company. At the end of the quarter the Company held \$78.3 million in Secured Loans as Notes Receivable issued by Regency, compared to \$70.3 million at December 31, 2006 and \$56.2 million at June 30, 2006. These Notes yield 6.8% with an average duration of 3.1 years. The Company also receives fee income for servicing and administering these mortgages for Regency. This income amounted to 0.6% of the portfolio value, on an annualized basis. The underlying credit quality of the mortgage loans securing the Notes Receivable remains high, with 0.7% of the portfolio in arrears over 60 days. This program has experienced only minor losses since inception. It also continues to provide the Company with ancillary marketing opportunities in the residential first mortgage marketplace.

Consumer Lending – Credit Cards and Retail Services

Consumer lending continued to generate strong results through the second quarter of 2007. Net income for the quarter was \$3.7 million, and \$7.3 million for the first six months of 2007, compared to \$2.2 million and \$4.2 million for the comparable periods in 2006. The Equityline VISA loans portfolio amounted to \$272.0 million at June 30, 2007 (\$215.9 million - Q4 2006 and \$146.6 million - Q2 2006) and comprises 95.7% (94.0% - Q4 2006 and 91.1% - Q2 2006) of the total gross credit card receivable balance of \$284.1 million, bearing an average interest rate of 10.8% (10.2% - Q4 2006 and 10.0% - Q2 2006) on outstanding balances.

Accounting Standards and Policies

Critical Accounting Estimates

Critical accounting estimates which require management to make significant judgements, some of which are inherently uncertain, are outlined on page 29 of the 2006 Annual Report. These estimates are critical since they involve material amounts and require management to make estimates that, by their very nature, include uncertainties. The preparation of unaudited interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions, mainly concerning the valuation of items, which affect the amounts reported. Actual results could differ from those estimates.

Accounting policies requiring critical accounting estimates include the allowance for credit losses, securitization of Mortgage-Backed Securities, future income tax liabilities and contingencies for litigation. Further information can be found under Notes 3, 4, and 9 of the unaudited interim consolidated financial statements. There have been no subsequent changes to the critical accounting estimates disclosed on page 29 of the 2006 Annual Report.

Change in Accounting Policy

On January 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants (CICA) handbook sections 3855, Financial Instruments - Recognition and Measurement; 3865, Hedges; and 1530, Comprehensive Income.

The standards require that all financial assets and liabilities be classified as held for trading, available for sale, held to maturity, or loans and receivables. In addition, the standards require that all financial assets be measured at fair value with the exception of loans and receivables and other liabilities which are recorded at amortized cost using the effective interest method. As required, these standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI). As a result, retained earnings increased by \$1.4 million and AOCI decreased by \$0.6 million. Prior period balances have not been restated.

For further details, see Note 2 to these unaudited interim consolidated financial statements.

Controls over Financial Reporting

No changes were made in the Company's internal controls over financial reporting during the interim period ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Updated Share Information

As at August 3, 2007, the Company had issued 34,495,640 Common Shares. In addition, outstanding director and employee stock options amounted to 1,130,000 (1,266,000 - Q4 2006 and 1,132,000 - Q2 2006) of which 570,000 are exercisable as of the quarter-end (910,375 - Q4 2006 and 878,875 - Q2 2006) for proceeds to the Company upon exercise of \$6.4 million (\$8.4 million - Q4 2006 and \$7.1 million - Q2 2006).

Subsequent to the end of the quarter, the Board of Directors declared a dividend increase of 10.0% to \$0.11 per share on a quarterly basis, payable on September 1, 2007 to shareholders of record at the close of business on August 15, 2007.

Effective January 1, 2006, the Federal Government implemented a new dividend tax regime for dividends paid by Canadian corporations to their shareholders. The result of these changes is that the top federal personal income tax rate on eligible dividends received by investors decreased by 5% in 2006. For the year ended December 31, 2006 all dividends paid in 2006 by the Company were eligible dividends and all dividends paid subsequently will be considered eligible unless indicated otherwise.

Quarterly Financial Highlights

In thousands of dollars, except per share amounts and percentages

	2007				2006			2005
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Interest Income (TEB) ¹	\$ 37,724	\$ 34,341	\$ 33,040	\$ 30,727	\$ 29,072	\$ 27,396	\$ 27,745	\$ 26,553
Less TEB Adjustment	1,195	1,007	841	764	740	651	708	682
Net Interest Income per Financial Statements ³	36,529	33,334	32,199	29,963	28,332	26,745	27,037	25,871
Non-Interest Income ³	11,467	10,075	12,743	6,880	9,412	6,623	8,028	8,899
Total Revenues ³	87,708	81,745	81,053	70,621	68,495	62,380	62,787	60,737
Net Income	22,018	21,158	20,518	16,618	16,496	14,183	16,881	15,766
Return on Common Shareholders' Equity	28.9%	29.3%	30.5%	26.2%	27.6%	25.2%	31.9%	32.1%
Return on Average Total Assets	2.1%	2.1%	2.2%	1.8%	1.9%	1.7%	2.1%	2.1%
Earnings per Common Share								
Basic	\$ 0.64	\$ 0.62	\$ 0.60	\$ 0.49	\$ 0.48	\$ 0.42	\$ 0.50	\$ 0.47
Diluted	\$ 0.63	\$ 0.61	\$ 0.59	\$ 0.48	\$ 0.47	\$ 0.41	\$ 0.47	\$ 0.45
Book Value per Common Share	\$ 8.98	\$ 8.70	\$ 8.10	\$ 7.62	\$ 7.22	\$ 6.79	\$ 6.44	\$ 6.00
Efficiency Ratio (TEB) ^{1,3}	27.2%	26.7%	26.8%	32.0%	29.5%	32.2%	27.5%	29.0%
Efficiency Ratio ³	27.9%	27.3%	27.3%	32.7%	30.1%	32.8%	28.0%	29.5%
Tier 1 Capital Ratio ²	12.7%	12.8%	12.7%	12.5%	12.7%	12.9%	12.7%	12.6%
Total Capital Ratio ²	14.2%	14.3%	14.2%	14.1%	14.4%	14.6%	14.5%	14.5%
Net Impaired Loans as % of Gross Loans	0.68%	0.74%	0.68%	0.56%	0.54%	0.51%	0.49%	0.50%
Annualized Provision as % of Gross Loans	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.2%

¹ TEB - taxable equivalent basis: see definition on page 5 of these unaudited interim consolidated financial statements.

² These figures relate to the Company's operating subsidiary, Home Trust Company

³ Reclassification - refer to Note 2 of these unaudited interim consolidated financial statements.

The Company's key financial measures for each of the last eight quarters are summarized in the preceding table. These highlights illustrate the Company's profitability, return on equity, as well as efficiency measures and capital ratios, quarter-over-quarter. The Company continues to achieve strong financial results led by improved net interest margins, strong revenue growth in all business segments and continued low efficiency ratios (the lower the better). The Company has not experienced any material mortgage loan write-offs and the quarter saw an improvement in the net impaired loans as a percentage of gross loans declined to 0.68% from 0.74% in the first quarter of 2007.

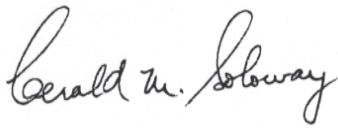
Outlook

Home Capital remains committed to serving selected segments of the Canadian financial services marketplace that are not being served by the major financial institutions. The Company is very well positioned to benefit from favourable market and economic conditions across its business activities. As 2007 continues, we foresee continued economic growth in Canada and a modest rise in interest rates during the third quarter. The rise in interest rates is not expected to have a significant impact on housing starts or the resale market and the Company continues to have strong growth in the mortgage pipeline. The Company has a proven corporate strategy and proprietary risk management procedures to manage the Company's further growth prospects.

Certificate of Interim Consolidated Financial Statements

The consolidated financial statements of Home Capital Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. Management has reviewed the Interim Consolidated Financial Statements of Home Capital Group Inc. for the period ended June 30, 2007. Based on our knowledge, the Interim Consolidated Financial Statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the Interim Consolidated Financial Statements. Based on this knowledge, the Interim Consolidated Financial Statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of Home Capital Group Inc. as of June 30, 2007.

The Board of Directors and Audit and Risk Management Committee of Home Capital Group Inc. reviewed this quarterly report. The disclosure controls and procedures of Home Capital Group Inc. support the ability of the President and Chief Executive Officer and the Chief Financial Officer of Home Capital Group Inc. to assure that Home Capital's Interim Consolidated Financial Statements are fairly presented.



Gerald M. Soloway
President and Chief Executive Officer
August 3, 2007



Phil Braginetz, CFA
Chief Financial Officer

Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	June 30 2007	June 30 2006	June 30 2007	June 30 2006
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>				
Interest from Loans	\$ 70,183	\$ 55,981	\$ 136,451	\$ 107,871
Dividends from Securities	2,229	1,381	4,107	2,596
Other Interest	3,829	1,722	7,353	4,374
	76,241	59,084	147,911	114,841
Interest Expense				
Interest on Deposits	39,712	30,751	78,048	59,763
Net Interest Income	36,529	28,333	69,863	55,078
Provision for Credit Losses (Note 3)	1,002	1,288	1,490	2,143
	35,527	27,045	68,373	52,935
Non-interest Income				
Fees and Other Income	5,139	2,467	9,674	4,792
Securitization Income on Mortgage-Backed Securities	5,568	5,334	10,791	8,689
Net Gain Realized and Unrealized on Investment Securities	760	482	1,104	1,425
Gain (Loss) on Derivatives	-	1,129	(27)	1,129
	11,467	9,412	21,542	16,035
	46,994	36,457	89,915	68,970
Non-interest Expenses				
Salaries and Staff Benefits	7,029	6,577	14,219	12,559
Premises	956	817	1,873	1,639
General and Administration	5,397	3,950	9,130	8,089
	13,382	11,344	25,222	22,287
INCOME BEFORE PROVISION FOR INCOME TAXES				
	33,612	25,113	64,693	46,683
Provision for Income Taxes (Note 9)	11,594	8,617	21,517	16,004
NET INCOME	\$ 22,018	\$ 16,496	\$ 43,176	\$ 30,679
NET INCOME PER COMMON SHARE				
Basic	\$ 0.64	\$ 0.48	\$ 1.26	\$ 0.90
Diluted	\$ 0.63	\$ 0.47	\$ 1.24	\$ 0.88
AVERAGE NUMBER OF COMMON SHARES				
OUTSTANDING (Thousands)				
Basic	34,408	34,071	34,403	34,106
Diluted	34,904	34,848	34,902	34,818
Total Number of Outstanding Common Shares (Note 7)	34,502	34,157	34,502	34,157
Book Value Per Share	\$ 8.98	\$ 7.22	\$ 8.98	\$ 7.22

Consolidated Statements of Comprehensive Income

	Three Months Ended		Six Months Ended	
	June 30 2007	June 30 2006	June 30 2007	June 30 2006
<i>In Thousands of Dollars, Except Per Share Amounts (Unaudited)</i>				
NET INCOME FOR THE PERIOD	\$ 22,018	\$ 16,496	\$ 43,176	\$ 30,679
OTHER COMPREHENSIVE LOSS, NET OF TAX				
Unrealized Losses on Available for Sale Securities				
Net Unrealized Losses on Securities Available for Sale	(7,764)	-	(5,025)	-
Transfer of Net Realized (Gains) to Net Income	(910)	-	(1,364)	-
Total Other Comprehensive Loss	(8,674)	-	(6,389)	-
COMPREHENSIVE INCOME	\$ 13,344	\$ 16,496	\$ 36,787	\$ 30,679

Consolidated Balance Sheets

<i>In Thousands of Dollars (Unaudited)</i>	June 30 2007	December 31 2006	June 30 2006
ASSETS			
Cash Resources			
Deposits with Regulated Financial Institutions	\$ 68,854	\$ 43,701	\$ 45,409
Treasury Bills Guaranteed by Canada	174,191	99,830	49,881
	243,045	143,531	95,290
Securities			
Issued or Guaranteed by Canada	-	208,980	179,779
Issued or Guaranteed by Provinces	-	299	299
Other Securities	-	134,855	105,727
Held for Trading	19,668	-	-
Available for Sale	370,460	-	-
	390,128	344,134	285,805
Loans			
Personal and Credit Card Loans	291,569	237,037	168,039
Secured Loans	78,282	70,250	56,177
Residential Mortgages	3,025,969	2,885,806	2,767,309
Other Mortgages	195,286	135,765	92,800
General Allowance for Credit Losses (Note 3)	(20,690)	(19,644)	(18,317)
	3,570,416	3,309,214	3,066,008
Other			
Mortgage-Backed Securities Receivable (Note 4)	49,299	50,963	47,284
Capital Assets	4,882	4,691	4,284
Other Assets (Note 5)	46,501	49,783	47,181
	100,682	105,437	98,749
	\$ 4,304,271	\$ 3,902,316	\$ 3,545,852
LIABILITIES			
Term Loan	\$ -	\$ -	\$ 5,000
Deposits			
Payable on Demand	18,467	27,871	17,526
Payable on a Fixed Date	3,789,692	3,415,769	3,109,553
	3,808,159	3,443,640	3,132,079
Other			
Cheques and Other Items in Transit	6,007	2,655	4,012
Other Liabilities (Note 6)	180,264	179,155	163,172
	186,271	181,810	167,184
	3,994,430	3,625,450	3,299,263
SHAREHOLDERS' EQUITY			
Capital Stock (Note 7)	36,403	34,551	35,192
Contributed Surplus	1,256	783	510
Retained Earnings	279,201	241,532	210,887
Accumulated Other Comprehensive Loss	(7,019)	-	-
	309,841	276,866	246,589
	\$ 4,304,271	\$ 3,902,316	\$ 3,545,852

Consolidated Statement of Changes in Shareholders' Equity

<i>In Thousands of Dollars (Unaudited)</i>	For the Three Months Ended		For the Six Months Ended	
	June 30 2007	June 30 2006	June 30 2007	June 30 2006
CAPITAL STOCK				
Common Shares				
Balance at Beginning of the Period	\$ 36,363	\$ 34,864	\$ 34,551	\$ 34,272
Proceeds of Options Exercised	341	328	2,571	920
Normal Course Issuer Bid	(301)	-	(719)	-
BALANCE AT END OF THE PERIOD	\$ 36,403	\$ 35,192	\$ 36,403	\$ 35,192
CONTRIBUTED SURPLUS				
Balance at Beginning of the Period	\$ 1,021	\$ 415	\$ 783	\$ 306
Amortization of Fair Value of Employee Stock Options (Note 8)	285	113	523	222
Employee Stock Options Exercised	(50)	(18)	(50)	(18)
BALANCE AT END OF THE PERIOD	\$ 1,256	\$ 510	\$ 1,256	\$ 510
RETAINED EARNINGS				
Balance at Beginning of the Period	\$ 260,978	\$ 196,443	\$ 241,532	\$ 184,307
Transitional Adjustment on Adoption of Financial Instruments, Net of Tax of \$786 (Note 2)	-	-	1,391	-
Net Income for the Period	22,018	16,496	43,176	30,679
Dividends Paid During the Period	(345)	-	(3,448)	(2,047)
Dividends Declared, Unpaid During the Period	(3,450)	(2,052)	(3,450)	(2,052)
BALANCE AT END OF THE PERIOD	\$ 279,201	\$ 210,887	\$ 279,201	\$ 210,887
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME				
Balance at Beginning of the Period	\$ 1,655	\$ -	\$ -	\$ -
Transitional Adjustment on Adoption of Financial Instruments, Net of Tax of \$664 (Note 2)	-	-	(630)	-
Other Comprehensive Loss	(8,674)	-	(6,389)	-
BALANCE AT END OF THE PERIOD	\$ (7,019)	\$ -	\$ (7,019)	\$ -

Consolidated Statements of Cash Flows

	Three Months Ended		Six Months Ended	
	June 30 2007	June 30 2006	June 30 2007	June 30 2006
<i>In Thousands of Dollars (Unaudited)</i>				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income for the Period	\$ 22,018	\$ 16,496	\$ 43,176	\$ 30,679
Adjustments to Determine Cash Flows Relating to Operating Activities:				
Future Income Taxes	(1,308)	1,596	12	2,259
Amortization	6,428	205	6,204	411
Provision for Credit Losses	1,002	1,288	1,490	2,143
Change in Accrued Interest Payable	(8,627)	(431)	6,990	7,647
Change in Accrued Interest Receivable	(722)	(795)	(2,101)	(1,386)
Net Gain Realized and Unrealized on Investment Securities	(760)	(482)	(1,104)	(1,425)
Loss (Gain) on Derivatives	-	(1,129)	27	(1,129)
Net Unrealized Gain on Securities Available for Sale	(5,664)	-	(4,184)	-
Securitization Income on Mortgage-Backed Securities	(5,568)	(5,334)	(10,791)	(8,689)
Amortization of Fair Value of Employee Stock Options (Note 8)	285	113	523	222
Other	(1,941)	(3,082)	(1,264)	(5,861)
Cash Provided by Operating Activities	5,143	8,445	38,978	24,871
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Term Loan	-	(5,000)	-	(5,000)
Net Increase in Deposits	124,057	207,748	366,367	231,618
Issuance of Capital Stock	341	328	2,571	920
Normal Course Issuer Bid	(301)	-	(719)	-
Dividends Paid	(3,448)	(2,047)	(6,524)	(3,748)
Cash Provided by Financing Activities	120,649	201,029	361,695	223,790
CASH FLOWS FROM INVESTING ACTIVITIES				
Activity in Available for Sale and Held for Trading Securities				
Purchases	(65,413)	-	(114,947)	-
Proceeds from Sales	9,026	-	25,904	-
Proceeds from Maturities	21,581	-	40,120	-
Activity in Securities				
Purchases	-	(57,456)	-	(98,420)
Proceeds on Sales	-	16,801	-	24,315
Proceeds on Maturities	-	11,873	-	18,695
Activity in Mortgages				
Net Increase	(218,832)	(249,469)	(484,876)	(469,321)
Proceeds from Securitization of Mortgage-Backed Securities	146,639	137,112	277,505	255,846
Change in Mortgage-Backed Securities Receivable	16,247	5,977	18,897	9,272
Net Increase in Personal and Credit Card Loans	(22,817)	(33,130)	(54,866)	(51,749)
Net Increase in Secured Loans	(3,816)	(6,643)	(7,919)	(12,612)
Proceeds from Leasehold Inducements	-	1,009	-	1,009
Purchases of Capital Assets	(761)	(740)	(977)	(1,549)
Cash Used in Investing Activities	(118,146)	(174,666)	(301,159)	(324,514)
Net Increase in Cash and Cash Equivalents	7,646	34,808	99,514	(75,853)
Cash and Cash Equivalents at the Beginning of the Period	235,399	60,482	143,531	171,143
Cash and Cash Equivalents at the End of the Period	\$ 243,045	\$ 95,290	\$ 243,045	\$ 95,290
Supplementary Disclosure of Cash Flow Information				
Amount of Interest Paid During the Period	\$ 46,596	\$ 29,457	\$ 66,825	\$ 48,665
Amount of Income Taxes Paid During the Period	9,928	8,839	24,717	20,981

Notes to the Unaudited Interim Consolidated Financial Statements

1. ACCOUNTING POLICIES USED TO PREPARE THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006 as set out in the 2006 Annual Report, on pages 32 through 52. These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Except as disclosed in Note 2, the accounting policies and methods of application used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the Company's most recent annual audited financial statements. These unaudited interim consolidated financial statements reflect amounts which must, of necessity, be based on the best estimates and judgement of management with appropriate consideration as to materiality. Actual results may differ from these estimates.

Certain comparative figures have been reclassified to conform to the current period's presentation.

2. CHANGE IN ACCOUNTING POLICY

Financial Instruments

Effective January 1, 2007 the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; and Section 1530, Comprehensive Income. As a result of adopting these standards, all financial assets will be classified as held for trading, available for sale, or loans and receivables. Financial liabilities will be classified as held for trading or other liabilities. Further, the new standards require that all financial assets and liabilities be measured at fair value with the exception of loans and receivables, financial assets and liabilities held to maturity, and other liabilities that will be measured at amortized cost using the effective interest method. The comparative unaudited interim consolidated financial statements have not been restated as a result of the adoption of these standards.

Determination of Fair Value

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions of the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets. Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, and discounted cash flow analysis.

Transaction Costs

Transaction costs related to held for trading securities are expensed as incurred. Transaction costs related to available for sale securities and loans and receivables are generally capitalized and are then amortized over the expected life of the instrument using the effective yield method.

Classification of Financial Instruments

Held for trading financial assets are securities purchased for resale, generally within a short period of time and primarily held for liquidity purposes. These financial assets are measured at fair value as at the balance sheet date. Gains and losses realized on disposal and unrealized gains and losses from market fluctuations are reported in income. Interest earned is included in interest income. Cash resources and securities issued or guaranteed by provinces previously disclosed as such in the audited consolidated financial statements for the year ended December 31, 2006 were designated as held for trading on January 1, 2007. The Company did not elect under the fair value option to designate any financial asset or liability as held for trading.

Available for sale financial assets are those non-financial assets that the Company designates as available for sale, or that are not classified as loans and receivables. Securities included in this category comprise both debt and equity securities. Available for sale securities are carried at fair value whereby the unrealized gains and losses, net of related taxes, are included in accumulated other comprehensive income until sold or an other-than-temporary impairment is recognized, at which time the cumulative gain or loss is transferred to the consolidated statement of income. Write-downs to reflect other-than-temporary impairments in value are included under non-interest income. Dividends and interest income from these securities are included in dividends from securities or other interest. Securities issued or guaranteed by Canada, other securities, and Mortgage-Backed Securities receivable previously disclosed as such in the audited consolidated financial statements for the year ended December 31, 2006 were designated as available for sale on January 1, 2007.

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

Loans and receivables are accounted for at amortized cost using the effective interest method. Prior to January 1, 2007, loan origination costs were classified as other assets and other liabilities and recognized in income and expense over the life of the respective loan. The new accounting standards require the Company to use the effective interest method to recognize loan origination costs whereby the amount recognized varies over the life of the loan based on the principal outstanding. On January 1, 2007, the Company adjusted deferred loan origination costs to what the balance would have been had the Company always used the effective interest method to recognize loan origination costs. The impact was an increase in loans of \$73,000, an increase to future income tax liability of \$27,000 and an increase in retained earnings of \$46,000. In addition, the Company reclassified the deferred origination revenue and costs from other assets and other liabilities to net against the respective loans on the Consolidated Balance Sheet and reclassified the amortization of the deferred origination revenue and costs previously recorded in fees and other income (non-interest income) and general and administrative non-interest expense to interest from loans and interest on deposits on the Consolidated Statement of Income.

Financial liabilities classified as other than held for trading are recorded at amortized cost and include all liabilities. Prior to January 1, 2007 deposit origination costs were classified as other assets and expensed over the life of the resulting deposit. The new accounting standards require the Company to use the effective interest method to recognize deposit origination costs whereby the amount recognized varies over the life of the deposit. The impact of adopting this new standard was a decrease to deposits of \$1.9 million, an increase to future income tax liability of \$0.7 million and an increase in retained earnings of \$1.2 million. On January 1, 2007 the Company reclassified deferred origination costs previously classified in other assets to net against deposits on the Consolidated Balance Sheet and reclassified the amortization of deferred origination costs previously classified as general and administrative to interest on deposits on the Consolidated Statement of Income.

For those financial assets that have been designated by definition as held for trading, the Company is not required to identify any embedded derivatives that might exist within these instruments. The Company conducted a search for embedded derivatives in all other contractual arrangements and found that certain of the Company's equity securities contained embedded derivatives which are required to be bifurcated from the underlying investment and valued separately. These bifurcated derivatives do not currently have significant value and therefore are not reported separately.

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

Transitional Adjustments

As required, these standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI) as of January 1, 2007. Prior period balances have not been restated following the adoption of these new standards. The impact of adopting these standards at January 1, 2007 on a net of tax basis was as follows:

<i>In Thousands of Dollars</i>	December 31, 2006		Retained Earnings		AOCI
ASSETS					
Cash Resources	\$	143,531	\$	(1)	\$ -
Investments		344,134		164	70
Loans		3,309,214		47	-
Other		105,437		-	(700)
	\$	3,902,316	\$	210	\$ (630)
LIABILITIES					
Deposits	\$	3,443,640	\$	1,181	\$ -
Other Liabilities		181,810		-	-
		3,625,450		1,181	-
SHAREHOLDERS' EQUITY					
Capital Stock		34,551		-	-
Retained Earnings		241,532		1,391	-
Contributed Surplus		783		-	-
Accumulated Other Comprehensive Income		-		-	(630)
		276,866		-	-
	\$	3,902,316	\$	-	\$ -

The impact of the reclassification of the deferred expenses and commitment fees on the Consolidated Statement of Income for the three- and six-month periods ended June 30, 2007 is as follows:

<i>In Thousands of Dollars</i>	Three Months Ended		Six Months Ended	
	June 30, 2007		June 30, 2007	
Consolidated Statement of Income				
Interest from Loans	\$	2,164	\$	4,006
Fees and Other Income		(4,407)		(8,304)
Decrease to Income	\$	(2,243)	\$	(4,298)
Interest on Deposits	\$	1,743	\$	4,233
General and Administration		(3,986)		(8,531)
Decrease to Expenses	\$	(2,243)	\$	(4,298)

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

3. LOANS

(A) Impaired Loans and Related Allowance for Specific Credit Losses

				As at June 30, 2007
<i>In Thousands of Dollars</i>	Gross Amount of Impaired Loans	Specific Allowances	Carrying Value	
Personal, Credit Card and Secured Loans	\$ 1,407	\$ 158	\$ 1,249	
Residential Mortgages	22,776	316	22,460	
Other Mortgages	581	39	542	
	\$ 24,764	\$ 513	\$ 24,251	
As at December 31, 2006				
Personal, Credit Card and Secured Loans	\$ 1,376	\$ 256	\$ 1,120	
Residential Mortgages	21,521	386	21,135	
Other Mortgages	548	-	548	
	\$ 23,445	\$ 642	\$ 22,803	
As at June 30, 2006				
Personal, Credit Card and Secured Loans	\$ 604	\$ 236	\$ 368	
Residential Mortgages	16,342	40	16,302	
	\$ 16,946	\$ 276	\$ 16,670	

(B) Allowance for Credit Losses

				For the Six-Month Period Ended June 30, 2007
<i>In Thousands of Dollars</i>	Specific Allowances	General Allowance for Credit Risk	Total	
Balance at the Beginning of the Period	\$ 642	\$ 19,644	\$ 20,286	
Provisions (Recoveries) for Credit Losses for the Current Period	444	1,046	1,490	
Write-offs	(691)	-	(691)	
Recoveries	118	-	118	
Balance at the End of the Period	\$ 513	\$ 20,690	\$ 21,203	
For the Six-Month Period Ended December 31, 2006				
Balance at the Beginning of the Period	\$ 276	\$ 18,317	\$ 18,593	
Provisions (Recoveries) for Credit Losses for the Current Period	928	1,327	2,255	
Write-offs	(696)	-	(696)	
Recoveries	134	-	134	
Balance at the End of the Period	\$ 642	\$ 19,644	\$ 20,286	
For the Six-Month Period Ended June 30, 2006				
Balance at the Beginning of the Period	\$ 162	\$ 16,586	\$ 16,748	
Provisions (Recoveries) for Credit Losses for the Current Period	412	1,731	2,143	
Write-offs	(458)	-	(458)	
Recoveries	160	-	160	
Balance at the End of the Period	\$ 276	\$ 18,317	\$ 18,593	

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

4. LOAN SECURITIZATIONS

The following tables summarize the Company's new securitization activity for the three- and six-month periods.

<i>In Thousands of Dollars, Except Percentages</i>	For the Three Months Ended		For the Six Months Ended	
	June 2007	June 2006	June 2007	June 2006
Book Value of Mortgages Securitized	\$ 150,688	\$ 140,675	\$ 285,043	\$ 262,403
Retained Interests	\$ 8,437	\$ 8,078	\$ 17,210	\$ 14,272
Servicing Liability	\$ 239	\$ 226	\$ 451	\$ 432
Net Proceeds Received on Securitized Mortgages	\$ 146,639	\$ 137,112	\$ 277,505	\$ 255,846
Gain on Sales	\$ 3,910	\$ 4,038	\$ 8,651	\$ 6,875
Prepayment Rate	13.3%	12.6%	13.1%	12.6%
Excess Spread	2.4%	2.4%	2.6%	2.2%
Discount Rate	4.3%	4.2%	4.1%	4.2%

5. OTHER ASSETS

<i>In Thousands of Dollars</i>	June 30 2007	December 31 2006	June 30 2006
Accrued Interest Receivable	\$ 21,147	\$ 19,046	\$ 16,620
Income Taxes Receivable	3,434	-	1,035
Deferred Agent Commission (Note 2)	-	9,198	8,441
Deferred Finders Fees (Note 2)	-	8,356	8,329
Goodwill	2,324	2,324	2,324
Other Prepaid Assets and Deferred Items	19,596	10,859	10,432
	\$ 46,501	\$ 49,783	\$ 47,181

6. OTHER LIABILITIES

<i>In Thousands of Dollars</i>	June 30 2007	December 31 2006	June 30 2006
Accrued Interest Payable	\$ 118,910	\$ 111,920	\$ 105,038
Income Taxes Payable	-	3,788	-
Dividends Payable	3,450	3,076	2,052
Deferred Commitment Fees (Note 2)	-	12,213	10,825
Future Income Taxes (Note 9)	14,260	12,733	14,274
Other, Including Accounts Payable and Accrued Liabilities	43,644	35,425	30,983
	\$ 180,264	\$ 179,155	\$ 163,172

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

7. CAPITAL STOCK

Issued and Outstanding

<i>In Thousands of Dollars, Except Per Share Amounts</i>	For the Three Months Ended				For the Six Months Ended			
	June 2007		June 2006		June 2007		June 2006	
	Number of Shares	Number of Amount	Number of Shares	Number of Amount	Number of Shares	Number of Amount	Number of Shares	Number of Amount
Common Shares								
Outstanding at Beginning of Period	34,482	\$ 36,363	34,109	\$ 34,864	34,166	\$ 34,551	34,012	\$ 34,272
Options Exercised	28	341	48	328	356	2,571	145	920
Normal Course Issuer Bid	(8)	(301)	-	-	(20)	(719)	-	-
Outstanding at End of Period	34,502	\$ 36,403	34,157	\$ 35,192	34,502	\$ 36,403	34,157	\$ 35,192
		Weighted- average Exercise Price		Weighted- average Exercise Price		Weighted- average Exercise Price		Weighted- average Exercise Price
Share Purchase Options								
Outstanding at Beginning of Period	1,157	\$ 21.49	1,180	\$ 12.99	1,266	\$ 15.43	1,272	\$ 12.32
Granted	-	-	-	-	220	34.44	10	42.02
Exercised	(27)	10.56	(48)	6.52	(356)	7.08	(145)	6.22
Forfeited	-	-	-	-	-	-	(5)	35.25
Outstanding at End of Period	1,130	\$ 21.76	1,132	\$ 13.26	1,130	\$ 21.76	1,132	\$ 13.26
Exercisable, End of Period	570	\$ 11.24	879	\$ 8.09	570	\$ 11.24	879	\$ 8.09

8. STOCK BASED COMPENSATION

For all options issued after January 1, 2003 the Company has recognized a compensation expense. During the second quarter of 2007, \$285,000 was recorded as an expense for a total of \$523,000 for the first six months of 2007 (\$113,000 - Q2 2006 and \$222,000 - six months 2006) for stock option awards in the Consolidated Statement of Income, with an off-setting credit to Contributed Surplus. The fair value of options granted in the first six months of 2007 is estimated at the date of granting using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 4.1%, anticipated option life of 5.2 years, anticipated volatility of 27.1%, and anticipated dividend yield of 0.9%. No new options were granted during the second quarter ended June 30, 2007. For the six-month period ended June 30, 2007, stock options granted amounted to 220,000 and these granted options will vest subject to performance targets over a four-year period at a rate of 25% per year, expiring over a period of seven years.

For those options issued prior to January 1, 2003 no compensation expense has been recognized. Had these options been subject to the same accounting policy they would have no effect on the second quarter of 2007 as they would have been fully expensed. However, the impact on previous comparable quarters would have reduced net income (\$46,000 - Q2 2006 and \$127,000 - six months 2006) and net income and earnings per share would have been reported as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 2007	June 2006	June 2007	June 2006
Pro-forma Net Income (in Thousands of Dollars)	\$ 22,018	\$ 16,450	\$ 43,176	\$ 30,552
Pro-forma Earnings per Share - Basic	\$ 0.64	\$ 0.48	\$ 1.26	\$ 0.90
Pro-forma Earnings per Share - Diluted	\$ 0.63	\$ 0.47	\$ 1.24	\$ 0.88

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

9. INCOME TAXES

Reconciliation of Income Taxes for the three- and six-month periods ended:

<i>In Thousands of Dollars</i>	For the Three Months Ended		For the Six Months Ended	
	June 2007	June 2006	June 2007	June 2006
Income Before Income Taxes	\$ 33,612	\$ 25,113	\$ 64,693	\$ 46,683
Income Taxes at Statutory Combined Federal and Provincial Income Tax Rates	12,141	9,005	23,367	16,779
Increase (Decrease) in Income Taxes at Statutory Income Tax Rates Resulting From:				
Tax-exempt Income	(673)	(449)	(1,316)	(888)
Non-deductible Expenses	113	94	207	147
Other	13	(33)	(741)	(34)
Income Tax	\$ 11,594	\$ 8,617	\$ 21,517	\$ 16,004

Sources of Future Income Tax Balances:

<i>In Thousands of Dollars</i>	June 2007	December 2006	June 2006
Future Income Tax Liabilities			
Deferred Agent Commissions and Other Charges	\$ 7,608	\$ 6,251	\$ 6,175
Mortgage-Backed Securities Receivable	17,349	17,995	17,906
	24,957	24,246	24,081
Future Income Tax Assets			
Allowance for Credit Losses	6,302	6,028	3,910
Mark-to-market Adjustments to Securities (Note 2)	-	1,216	255
Deferred Commitment Fees and Other Charges	4,395	4,269	5,642
	10,697	11,513	9,807
Net Future Income Tax Liability	\$ 14,260	\$ 12,733	\$ 14,274

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilized off-balance sheet financial instruments during the first six months of 2007. During this period the Company entered into economic hedge swap transactions with a major financial institution. The Company can utilize interest rate swaps to hedge the economic fair value exposure of movements in interest rates between the time that the mortgages are committed to be sold under asset securitization, and the time the mortgages are actually sold. (These mortgages qualify for government insurance.) The intent of the swap is to have fair value movements in the swap be effective in offsetting the fair value movements in the pool of mortgages over the period in which the fixed rate pool may be exposed to movements in the variable interest rate, generally 60 to 150 days. The interest rate swaps referred to as "pay-fixed interest rate swaps" are structured such that the Company agrees to pay a fixed rate (as designated in the swap) and receives the floating rate (as designated in the swap). These transactions do not qualify for hedge accounting under the CICA Accounting Guideline 13 - Hedging Relationships, and therefore the Company must mark-to-market the swap, with changes in the fair value of the swap being recognized at the applicable financial reporting dates.

There were no outstanding interest rate swaps at June 30, 2007. During the first quarter of 2007, the Company entered into \$20.0 million of interest rate swap contracts. These contracts were unwound during the first quarter for a negligible loss. During the comparable six-month period of 2006, the Company entered into interest rate swap contracts for a notional amount of \$200.0 million with \$125.0 million remaining, consisting of \$50.0 million three-year and \$75.0 million five-year swaps maturing in August 2006. The Company unwound \$50.0 million in April 2006 and \$25.0 million in June 2006 and realized gains of \$0.2 million. The remaining \$125.0 million outstanding at June 30, 2006 was marked-to-market for unrealized gains of \$0.9 million. The total of realized and unrealized gains of \$1.1 million were reported in the Consolidated Statement of Income and Gain (Loss) on Derivatives.

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

11. INTEREST RATE SENSITIVITY

The Company's exposure to interest rate risk results from the difference, or gap, between the maturity or repricing dates of interest sensitive assets and liabilities, including off-balance sheet items. The following table shows the gap positions at June 30, 2007, December 31, 2006 and June 30, 2006 for selected period intervals. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

<i>In Thousands of Dollars</i>	Floating Rate	0 to 3 Months	3 Months to 1 Year	1 to 3 Years	Over 3 Years	Non-interest Sensitive	Total
June 30, 2007							
Total Assets	\$ 55,554	\$ 776,334	\$ 1,228,411	\$ 1,545,268	\$ 570,832	\$ 127,872	\$ 4,304,271
Total Liabilities and Equity	-	566,403	1,578,801	1,297,455	328,281	533,331	4,304,271
Off-balance Sheet Items	-	226,071	(6,266)	(75,530)	(144,275)	-	-
Interest Rate Sensitive Gap	\$ 55,554	\$ (16,140)	\$ (344,124)	\$ 323,343	\$ 386,826	\$ (405,459)	\$ -
Cumulative Gap	\$ 55,554	\$ 39,414	\$ (304,710)	\$ 18,633	\$ 405,459	\$ -	\$ -
Cumulative Gap as a % of Total Assets	1.3%	0.9%	(7.1%)	0.4%	9.4%	-	-
December 31, 2006							
Total Assets	\$ 30,401	\$ 561,180	\$ 1,204,365	\$ 1,553,657	\$ 425,531	\$ 127,182	\$ 3,902,316
Total Liabilities and Equity	-	311,280	1,748,542	1,153,619	202,328	486,547	3,902,316
Off-balance Sheet Items	-	190,356	(12,808)	(62,081)	(115,467)	-	-
Interest Rate Sensitive Gap	\$ 30,401	\$ 59,544	\$ (531,369)	\$ 462,119	\$ 338,670	\$ (359,365)	\$ -
Cumulative Gap	\$ 30,401	\$ 89,945	\$ (441,424)	\$ 20,695	\$ 359,365	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.8%	2.3%	(11.3%)	0.5%	9.2%	-	-
June 30, 2006							
Total Assets	\$ 36,409	\$ 446,875	\$ 998,120	\$ 1,524,291	\$ 426,054	\$ 114,103	\$ 3,545,852
Total Liabilities and Equity	5,000	380,702	1,454,640	1,032,261	241,950	431,299	3,545,852
Off-balance Sheet Items	-	211,599	17,385	(84,181)	(144,803)	-	-
Interest Rate Sensitive Gap	\$ 31,409	\$ (145,426)	\$ (473,905)	\$ 576,211	\$ 328,907	\$ (317,196)	\$ -
Cumulative Gap	\$ 31,409	\$ (114,017)	\$ (587,922)	\$ (11,711)	\$ 317,196	\$ -	\$ -
Cumulative Gap as a % of Total Assets	0.9%	(3.2%)	(16.6%)	(0.3%)	8.9%	-	-

Notes to the Unaudited Interim Consolidated Financial Statements - Continued

12. EARNINGS BY BUSINESS SEGMENT

The Company operates principally through two business segments - mortgage lending and consumer lending. The mortgage lending operation consists of core residential mortgage lending, securitization of government insured mortgage loans, commercial real estate lending, and the administration of Regency Finance Corp. second mortgage loans (secured loans). The consumer lending operation consists of credit card services and installment lending to customers of retail business. The other category includes the Company's treasury and securities investment activities.

The following tables detail the earnings and assets of the Company, by business segment:

Thousands of Dollars (Unaudited) For the Three Months Ended

	Mortgage Lending		Consumer Lending		Other		Total	
	June 30	June 30	June 30	June 30	June 30	June 30	June 30	
	2007	2006	2007	2006	2007	2006	2006	
Net Interest Income	\$ 24,951	\$ 21,108	\$ 5,253	\$ 3,422	\$ 6,325	\$ 3,803	\$ 36,529	\$ 28,333
Provisions for Credit Losses	(626)	(790)	(376)	(498)	-	-	(1,002)	(1,288)
Fees and Other Income	2,989	531	2,076	1,886	74	50	5,139	2,467
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	5,568	5,334	-	-	760	1,611	6,328	6,945
Non-interest Expense	(9,033)	(7,394)	(1,153)	(1,351)	(3,196)	(2,599)	(13,382)	(11,344)
Income Before Income Taxes	23,849	18,789	5,800	3,459	3,963	2,865	33,612	25,113
Income Taxes	(8,579)	(6,460)	(2,095)	(1,250)	(920)	(907)	(11,594)	(8,617)
Net Income	\$ 15,270	\$ 12,329	\$ 3,705	\$ 2,209	\$ 3,043	\$ 1,958	\$ 22,018	\$ 16,496
Total Assets	\$ 3,414,910	\$ 3,023,610	\$ 304,148	\$ 179,435	\$ 585,213	\$ 342,807	\$ 4,304,271	\$ 3,545,852

Thousands of Dollars (Unaudited) For the Six Months Ended

	Mortgage Lending		Consumer Lending		Other		Total	
	June 30	June 30	June 30	June 30	June 30	June 30	June 30	
	2007	2006	2007	2006	2007	2006	2006	
Net Interest Income	\$ 47,876	\$ 41,399	\$ 9,999	\$ 6,407	\$ 11,988	\$ 7,272	\$ 69,863	\$ 55,078
Provisions for Credit Losses	(612)	(1,290)	(878)	(853)	-	-	(1,490)	(2,143)
Fees and Other Income	5,370	1,070	4,128	3,646	176	76	9,674	4,792
Net Gain on Securities, Derivatives & Mortgage-Backed Securities	10,764	8,689	-	-	1,104	2,554	11,868	11,243
Non-interest Expense	(17,348)	(15,205)	(1,863)	(2,565)	(6,011)	(4,517)	(25,222)	(22,287)
Income Before Income Taxes	46,050	34,663	11,386	6,635	7,257	5,385	64,693	46,683
Income Taxes	(15,870)	(12,191)	(4,113)	(2,397)	(1,534)	(1,416)	(21,517)	(16,004)
Net Income	\$ 30,180	\$ 22,472	\$ 7,273	\$ 4,238	\$ 5,723	\$ 3,969	\$ 43,176	\$ 30,679
Total Assets	\$ 3,414,910	\$ 3,023,610	\$ 304,148	\$ 179,435	\$ 585,213	\$ 342,807	\$ 4,304,271	\$ 3,545,852

13. FUTURE ACCOUNTING CHANGES

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new standard will be effective for the Company beginning January 1, 2008.

The CICA issued two new accounting standards, Section 3862, Financial Instruments - Disclosure, and Section 3863, Financial Instrument Presentation, which apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company intends to adopt these new standards effective January 1, 2008.

Corporate Directory and Shareholder Information

HOME CAPITAL GROUP INC.

145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8

Directors

William A. Dimma
Chairman of the Board

Norman F. Angus
Micheline Bouchard
Hon. William G. Davis P.C., C.C., Q.C.
Janet L. Ecker
John M. E. Marsh
Robert A. Mitchell, C.A.
Kevin P. D. Smith
Gerald M. Soloway
Warren K. Walker

Officers

Gerald M. Soloway
*President and
Chief Executive Officer*

Nick Kyprianou
*Senior Vice President
and Chief Operating Officer*

Phil Braginetz, CFA
Chief Financial Officer

Brian R. Mosko
Senior Vice President

Cathy A. Sutherland, C.A.
Vice President, Finance

Chris Ahlvik
Vice President, Corporate Counsel

Auditors

Home Capital Group Inc.
Home Trust Company
Ernst & Young LLP
Chartered Accountants
Toronto, Ontario

Bankers

Home Capital Group Inc.
Home Trust Company
Bank of Montreal,
St. Catharines, Ontario

Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, Ontario M5J 2Y1
Tel: 1-800-564-6253

Capital Stock

As at June 30, 2007 there were
34,501,640 Common Shares outstanding.

Stock Listing

Toronto Stock Exchange
Ticker Symbol: HCG

HOME TRUST COMPANY

145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8

Directors

Hon. William G. Davis P.C., C.C., Q.C.
Chairman of the Board
Norman F. Angus
Micheline Bouchard

William A. Dimma
Janet L. Ecker
Nick Kyprianou
John M. E. Marsh
Robert A. Mitchell, C.A.

Brian R. Mosko
Kevin P. D. Smith
Gerald M. Soloway
Warren K. Walker

BRANCHES

Toronto

145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8
Tel: (416) 360-4663
1-800-990-7881
Fax: (416) 363-7611
1-888-470-2092

Chief Investment Officer
Jason Donville

*Senior Vice President,
Commercial Mortgage Lending*
John R. K. Harry

Vice Presidents, Mortgages
Pino Decina
Rolf Eikeland

*Asst. Vice President,
Commercial Mortgage Lending*
Wendy Goldup

Asst. Vice President, Credit
Tom Elsdon

Asst. Vice Presidents, Mortgages
Lisa Abbatangelo
Armando Diseri
James Hill
Marguerite Ryan
Agostino Tuzi

Senior Managers, Mortgages
Laurie Chalabardo
Bobby Ramgoolam

Managers, Mortgages
Oriana Bartelli
Michael Forshee
Frank Lee
Ivano Metallo

Direct Client Services

Manager,
Direct Client Services
Jean Pierre Vico
Tel: (416) 777-6603

Sales and Marketing

*Asst. Vice President,
Sales and Marketing*
Diana Soloway
Tel: (416) 775-5078

Retail Credit Services

Asst. Vice President, Sales
Cathy Boon
Tel: (416) 775-5072

VISA

Director, VISA Operations
Tanya Hatton
Tel: (416) 775-5032

Equityline VISA

Senior Managers, Equityline VISA
Alex Godfrey
(416) 775-5029
Karen Minns
(416) 775-5097

Corporate

*Vice President,
Information Technology*
Norm Thacker
Tel: (416) 775-5004

Asst. Vice President, Finance
Geoff Behm, C.A.

Senior Director, Operations Analysis
James Jung, CFA

St. Catharines

P.O.Box 1554
15 Church Street, Suite 100
St. Catharines, Ontario L2R 7J9
Tel: (905) 688-3131
1-888-771-9913
Fax: (905) 688-0534
1-888-771-9914

Calgary

5920 MacLeod Trail S.
Suite 720
Calgary, Alberta T2H 0K2
Tel: (403) 244-2432
1-866-235-3081
Fax: (403) 244-6542
1-866-544-3081

Branch Manager
Kris Chester

Vancouver

200 Granville Street,
Suite 1288
Vancouver, B.C. V6C 1S4
Tel: (604) 484-4663
1-866-235-3080
Fax: (604) 484-4664
1-866-564-3524

Branch Manager
Greg Domville

Montreal

2020 Rue University, Suite 2160
Montreal, Quebec H3A 2A5
Tel: (514) 843-0129
1-866-542-0129
Fax: (514) 843-7620
1-866-620-7620

Regional Manager, Mortgages
Philippe Cote

Halifax

Duke Tower
5251 Duke Street, Suite 1205
Halifax, Nova Scotia B3J 1P3
Tel: (902) 422-4387
1-888-306-2421
Fax: (902) 422-8891
1-888-306-2435

Regional Manager, Mortgages
Scott Congdon

For Shareholder Information,

Please Contact:
Chris Ahlvik
Vice President, Corporate Counsel
Home Capital Group Inc.
145 King Street West, Suite 2300
Toronto, Ontario M5H 1J8
Tel: (416) 360-4663
Fax: (416) 363-7611

Websites

Home Capital Group Inc.
www.homecapital.com
Home Trust Company
www.hometrusted.ca

Home Capital Group Inc. has established an e-mail investor information service. Sign up at our web site www.homecapital.com and you will receive quarterly reports, press releases, the annual report, the management information circular, and other information pertaining to the Company.

Quarterly Conference Call & Webcast

Our quarterly conference call and live audio webcast with management took place on Tuesday, August 7, 2007 at 10:30 AM ET. The webcast will be archived at www.homecapital.com for 90 days.